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GPRE - Q1 2018 Green Plains Inc and Green Plains Partners LP Earnings Call

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PRESENTATION

Operator

Good morning, and welcome to the Green Plains Inc. and Green Plains Partners First Quarter 2018 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded for replay purposes. I will now turn the conference call over to your host, Jim Stark, Vice President of Investor and Media Relations. Mr. Stark, please go ahead.

Jim Stark - Green Plains Inc. - VP of Investor & Media Relations

Thank you, Crystal. Welcome to the Green Plains Inc. and Green Plains Partners first quarter 2018 earnings call. Participants on today's call are Todd Becker, President and Chief Executive Officer; John Neppi, our Chief Financial Officer; and Jeff Briggs our Chief Operating Officer. There is a slide presentation for you to follow along. You can find the presentation on the Investor page under the Events and Presentations link on both corporate websites.

During the call, we will be making forward-looking statements which are predictions, projections or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in this morning's earnings press releases and the comments made during this conference call and in the Risk Factors section of our Form 10-K, 10-Q and other reports and filings with the Securities and Exchange Commission. You may also refer to Page 2 of the website presentation for additional information. We do not undertake any duty to update any forward-looking statements. Now I'd like to turn the call over to Todd Becker.

Todd A. Becker - Green Plains Inc. - President, CEO & Director

Thanks, Jim, and good morning, everyone, and thank you for joining our call today. We reported a net loss of \$24.1 million or \$0.60 a share for the first quarter. We generated \$23.1 million of EBITDA after corporate cost for the first quarter as well. The consolidated crush margin was \$0.05 a



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gallon during the quarter. Green Plains produced 280.4 million gallons of ethanol in the first quarter versus 326.4 million gallons of ethanol for the same period in 2017. That was 76% of our operating capacity for the quarter. As we indicated on our year-end call in February, we were slowing our production because of the weak ethanol margin environment. We took down another 5% of our production during the quarter, so we were approximately 60 million gallons lower than our historical operating average of 92%. We also had a major capital improvement project at Madison, Illinois this quarter, which lowered our production levels, and I'll get back to that shortly.

That overall production or reduction in our production levels is equivalent to 1.4 million barrels of inventory not sitting in a storage tank somewhere in the United States. So we believe the main reason that stocks grew over the last 6 weeks were due to our disciplined approach to production run times. We saw our margins recover in the second quarter because of this then it reversed and then it start to strengthen again. To say that we have unprecedented volatility is an understatement.

Overall, margins across our platform for the second quarter have finally now gotten back to high single digit, low double digits as an average. I will talk more about this overall market later in the call. Finally, to close on this topic, we expect our run rates to get back closer to normal this quarter, yet industry run rates are lower overall due to maintenance turnarounds. We will continue to take a disciplined approach to production because we have -- we believe that doing so can have a positive impact on the margin structure. Yet oftentimes, the industry doesn't agree with this view. We took Madison, Illinois from a continuous to batch production which will have a major effect on the overall competitiveness and margin structure for this plant and our platform. The Madison shutdown had approximately \$0.015 gallon of negative impact on the consolidated crush due to lower cost absorption.

We did have a minimum volume commitment payment to the partnership of approximately \$747,000 for the first quarter due to this lower production. We did generate incremental income from using the Hopewell asset as a terminal this quarter, bringing in gallons from other facilities, unloading those gallons at Hopewell for which Green Plains Partners benefited. John will cover this in more detail in the call.

Our company ethanol export volumes for the first quarter were 73.1 million gallons or 26% of our total production. 95% of our export gallons moved through our export terminal in Beaumont. The terminal unloaded 25 unit trains during the quarter. After working through some startup pains in the first few months of operations in Beaumont, we are seeing solid performance metrics at the terminal, and we'll continue to work with our JV partner on approving the turn times. We expect to offer our interest in the terminal to Green Plains Partners later this year.

Green Plains Partners reported \$17.1 million of adjusted EBITDA and a coverage ratio of 1x for the quarter. The GPP board approved an increase in the distribution to \$0.475 for the first quarter, equal to an annual distribution of \$1.90 based on the recent unit price of \$17 for the partnership that is a yield of 11.2%.

We continue to make progress on the JV with Delek Logistics, and barring any regulatory delays, we anticipate the transaction will close in the second half of 2018. The unit train terminal located in the port of Little Rock, which is a joint venture between the partnership and Delek U.S., did open for business. The first train was offloaded on April 12 and customers have begun utilizing the terminal.

The food and ingredients segment had its best quarter-to-date with approximately \$16 million in EBITDA. We continue to see solid results from both our cattle operations and Fleischmann's Vinegar. For cattle, we sold a record 137,000 head of cattle in the first quarter at an average of \$73.05 EBITDA per head. Fleischmann's continues to experience great tailwinds as well. Since we have bought it, we have grown volumes in specialty products along with the core business. Demand for these products are growing both domestically and internationally and it's coming from new segments such as pet foods in addition to meat and poultry. Our average selling prices remained strong. The quarter would have been even a bit better if not for the delays in the pepper and cucumber harvest which pushed canning season back a quarter.

Our ag and energy segment had \$7.7 million of EBITDA which is better than the first quarter of last year and we still expect that segment to finish strong in the remaining 3 quarters. All together, our non-ethanol segments generated \$40 million in EBITDA, which is on pace for the expectation we laid out at the beginning of 2018.



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While our non-ethanol segment keep performing well, our overall financial performance in the first quarter was below our expectations. Now I'm going to turn the call over to John to review both Green Plains Inc. and Green Plains Partners financial performance. I'll come back later on the call to discuss the current ethanol environment and the portfolio optimization program for Green Plains.

John W. Neppi - Green Plains Inc. - CFO

Thank you, Todd. Green Plains Inc. consolidated revenues were slightly over \$1 billion in the first quarter, up 18% from the first quarter a year ago. The increased revenue is attributable primarily to the acquisition of 3 cattle feeding operations in the first half of 2017. Consolidated volumes of ethanol sold for the quarter increased approximately 7% to 384 million gallons but the average price of ethanol was lower by 8% in the first quarter compared to a year ago.

Consolidated net loss for the quarter was \$24.1 million versus a net loss of \$3.6 million a year ago. Our effective federal tax rate was 23.6% for the first quarter.

Earnings before interest, income taxes, depreciation, amortization or EBITDA for the first quarter was \$23.1 million compared to EBITDA of \$43.8 million for the first quarter last year. For the quarter, SG&A increased \$2.2 million driven almost entirely by the growth in cattle feeding operations and a prior year favorable adjustment incentive accruals.

Interest expense increased \$3.6 million driven primarily by incremental borrowings for cattle inventory but also due to a roughly 60 basis point increase on our floating rate debt.

For Green Plains, CapEx was just over \$6 million in the first quarter, more than half of which was maintenance CapEx across our ethanol, cattle business and vinegar operations. We anticipate we will spend about \$30 million in CapEx for the remainder of 2018 with about 2/3 of that being maintenance CapEx.

Our total debt at the end of the quarter was just under \$1.37 billion. This balance included \$534 million on our commodity revolvers which are secured by working capital collateral, including readily marketable inventory of \$596 million. Total debt, including our term loan B, convertible debt and partnership credit facility was \$839 million.

On Slide 12 in the IR presentation, you will note our term debt leverage ratio was 6.3x at the end of the first quarter versus 5.9x at 12/31/17, resulting from a lower trailing 12-month EBITDA. Our liquidity remains strong with \$265 million in total cash along with approximately \$472 million available on our revolvers at the end of the quarter.

For Green Plains Partners, we reported adjusted EBITDA of \$17.1 million for the quarter, which was \$467,000 less than the first quarter of 2017. The adjusted EBITDA included \$747,000 in deficiency payment from Green Plains trade group as a result of ethanol production running below the minimum volume commitment of 296.6 million gallons for the quarter. Under the terms of the storage contract, Green Plains is allowed to utilize that payment as a credit against volumes above the MVC level during the next 4 quarters.

Green Plains Partners had 298.3 million gallons of throughput volume at its ethanol storage assets, of which 17.9 million gallons was incremental transload volumes and a reduction of inventory in tanks from the bill we had at the end of the year.

Distributable cash of \$50.5 million was down \$704,000 from \$16.2 million reported a year ago. DCF was impacted by lower production gallons from Green Plains and higher interest expense due primarily to an increase in rate on our credit facility. We incurred capital expenditures of \$1.2 million for the first quarter, primarily due to expanding our truck and tanker fleet.

The partnership distribution of \$0.475 per unit declared on April 19 resulted in a coverage ratio of 1.0x for the first quarter. On a 12-month basis, adjusted EBITDA was \$69.2 million. Distributable cash flow was \$63.3 million and declared distributions were \$60.3 million, resulting in a 1.05x coverage ratio. Our long-term goal remains at 1.10x. Now I'd like to turn the call back over to Todd.



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Todd A. Becker - Green Plains Inc. - President, CEO & Director

Thanks, John. So we generally continue to remain in the spot market. When there are opportunities to lock forward, we will attempt to do that, and we have done that for some of the remaining gallons in the quarter. We will not give specific percentages on a go-forward basis anymore as our position in the industry is large enough for others to use this information to make daily market decisions. Margins, as indicated earlier, remain volatile yet have shown some improvement over the last week or so. Inventories are 1.1 million barrels less than the same period a year ago, yet we still have 3 or 4 days of oversupply which weighs on the market but not enough to justify the weakness in margins as we approach summer driving season with a much better market metric than last year.

Currently, we have no reason to change our fundamental outlook for 2018 of 16.1 billion gallons of ethanol production, 14.4 billion to 14.5 billion gallons of domestic lending and 1.6 billion to 1.8 billion gallons of exports. We saw record exports totaling 512 million gallons in the first quarter. There were a number of new players buying U.S. ethanol, including Colombia, Saudi Arabia and Switzerland. Brazil's first quarter totaled nearly 240 million gallons.

Despite the recent increase in tariffs in some markets, cheap octane continues to find a home around the world. A few things need to happen to meet and exceed the high end of the export range, such as Japan implementation, a strong Brazil import program over the last half of the year and resolution of the China trade issues around agricultural commodities and ethanol. On a year-to-date basis, gasoline demand continues to run around 3% better than 2017. Distillers values remain very strong versus a replacement to corn, and demand is excellent. While some reports have come out that we are losing global share to high pro soy meal, this is only due to strong domestic demand as dry weather early in the season kept more at home. We are down slightly year-over-year on exports but there is no concern at all on demand. And if the relative value adjusts, the global market will substitute freely.

On RVP, we remain hopeful we get the waiver for E15 very soon. We will wait and see what comes out of the White House meeting later this week. We remain optimistic on E15's expansion in the U.S. When we look at sales for 2017 with the stores that were selling the higher blend last year, we see the ethanol blend at our retailers that offer this product to increase to a 12% average across their gasoline sales.

From verified retailer data of those who participate in the Prime the Pump initiative, approximately 68 million gallons of incremental ethanol was blended into the fuel supply last year. This incremental ethanol sales were from approximately 950 stores at the end of last year. Today, we have 500 more stores on E15, with another 300 to 400 more to start selling E15 by the end of the year. Our expectation is that when all the stations are implemented, the go-forward run rate of sale of new ethanol will exceed 175 million gallons from the E15 initiative.

We have heard much lower volumes from outside sources but this is data from the source. Let me clarify one point. Often time, a retailer who configures an old station or builds a new one has not only E15 pumps but also E85 as well. When I give you these numbers, it includes new incremental total sales from ethanol from both grades, which is an important distinction.

We don't care how we sell it as long as we are selling additional volumes of ethanol in total. Getting the RVP waiver for year-round sales could double the amount of incremental gallons of ethanol blended from these stations as a result. Adding more locations will, obviously, grow our penetration of E15 into the marketplace.

Now let's talk about the portfolio optimization program we announced. As you read in the press release this morning, we have undertaken a portfolio optimization program. Our first 10 years were focused on building a business that will grow long-term shareholder value. Today, we operate 1.5 billion gallons of ethanol production. We are the largest industrial vinegar producer in the world and the fourth largest cattle feeder in the United States and have an MLP with not only assets from the Green Plains ethanol plants but other terminals with great locations and strong earnings consistency.

While we believe that more than the \$2 billion invested in this platform will drive value for our shareholders, the reality is that we are not getting total credit for the total value of the assets in the portfolio today. As we evaluate our business, we believe that the collective sum of the parts of our platform is undervalued. While the sum of the parts analysis is a nice exercise, it doesn't mean anything if you don't monetize it. Well, that's what we are planning and willing to do: monetize it like we did back in 2012.



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Our portfolio optimization program is focused on driving our share price higher. To achieve this, we are going to, first, significantly reduce our overall debt level and eliminate our term debt as we believe, going forward, refining and processing asset like our plants should have little or no leverage to deal with the volatility of today's markets. We are still very positive in the future of ethanol, yet we have to reduce our leverage to achieve maximum flexibility with the remaining platform.

In addition, the second aspect of the program is to align our assets around producing high-protein animal feed and maximizing the opportunity of an end-to-end export supply chain with plants that cannot only make export great but help maximize return and opportunity we have with our new export terminal in Beaumont, Texas.

As we divest certain assets that don't align with our strategy, we will use the proceeds to pay down our term debt. We are targeting an elimination of our term loan B and the 3.25 convertible notes with only our 4 and 8 convertible notes remaining outstanding by the year end or early Q1 2019.

XMS Capital Partners has been retained as a lead adviser for our portfolio optimization program and Ocean Park Advisors have been hired to manage the sales process of certain assets.

Another part of the program is to reduce controllable expenses by \$10 million to \$15 million on an annual run rate basis starting in the third quarter of this year and into 2019. Any savings from this portfolio optimization program will be added to this number. The new tax plan enacted at the end of 2017 proved favorable to our last year's results but commodity processing company like ours carry significant debt balances have a negative tax implication. As we reduce our overall debt level as part of the portfolio optimization program, we believe we are taking steps to take advantage of the tax law change that will be very beneficial in the long run to our shareholders.

In addition, and even maybe more important, the reduction of the corporate tax rates makes it an opportune time to sell assets and pay less in taxes versus even last year.

Now let's move and discuss our fluid announcement as well. Never before in the industry's history have we seen technology improvements moving so fast. We have been evaluating 3 to 5 bolt-on technologies that all have interesting characteristics and possibility for the industry to enhance and stabilize margin structures going forward. Just because we made a choice for one today doesn't mean we would not implement others in the future. As you know, we have always indicated we will be a fast follower when the time has come.

We are pleased to announce we have selected Fluid-Quip's process technology called Maximized Stillage Co-Products or MSC for our high-protein feed technology. We will have the first install at our Shenandoah, Iowa facility and will work to have it completed in mid-2019. Our plan will be to install this technology at several of our ethanol plants over the next 3 years. MSC produces high-protein animal and fish feed ingredients and we expect it to provide a consistent uplift of at least \$0.10 a gallon to the ethanol margin structure at the plants where we install it. MSC leverages proven technology that has been deployed in 3 locations with a fourth one starting production later this year. We believe that high-protein feed production will better diversify our ethanol revenue stream and take advantage of the growing demand for protein worldwide. The high-protein feed produced using MSC improves the amino acid profile when compared to competing proteins while driving high-protein concentration into distilled grains products. We feel confident that this technology will produce 50% protein with opportunities to even go higher in the future, making it an excellent ingredient for aquaculture, pet food, swine and the poultry industry, among others. It will impact about 20% of distillers production at our plant while leaving the other 80% unchanged. The product being produced today is a direct substitute for high-protein soy meal and, in some cases, even higher value fish meals around the world. I believe that is the best investment to make, is to go after the higher protein that we can get out of our plants.

We will also use the additional proceeds from selling assets in addition to free cash flow generation to fund this organic growth of high-protein feed production after we pay down our debt levels, as indicated earlier. We also plan to use the proceeds from the portfolio optimization program and free cash flow to buy back shares when the market dictates. We have not lost focus on the value of our ethanol production assets. And if our share price is below book value, we know that the best investment we can make is buying back our stock. This way, the interest and principal and payment reductions can also go back to our shareholders as well.



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As it relates to Green Plains Partners, if we do sell ethanol production assets, we believe that the independent directors of the partnership and Green Plains will negotiate in good faith to a buyback of storage assets now owned by the partnership. The goal with the partnership would be to maintain the distribution and long-term coverage ratio of 1.1x. We believe the proceeds from the repurchase of the storage assets and related throughput contracts provide the partnership with the flexibility to pay down its existing debt and potentially buy back units as well so the program will not be dilutive to current unitholders. While we like to provide you with more information on our portfolio optimization program, it is premature for us to disclose any other details at this point. Our actions are to improve our market capitalization, delever our balance sheet and improve our financial flexibility as we focus on the next 10 years at Green Plains.

As a reminder, the program's 5 objectives included in the earnings release this morning are: divest assets to improve the company's share price by significantly reducing or eliminating term debt by the end of 2018 with the sales proceeds; invest in high-protein process technology at Shenandoah, Iowa facility with other locations to follow; repurchase shares with remaining proceeds and free cash flow; and finally, reduce controllable expenses by \$10 million to \$15 million per year starting in the third quarter of 2018. As we reach success along the way on this program, you will certainly see the appropriate announcements on those milestones. We are kicking off the program today. Thanks for coming on the call today. Now I'll ask Crystal to start the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Adam Samuelson from Goldman Sachs.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So I guess the first question, Todd, I wanted to dig a little bit deeper on the portfolio optimization, if we could, and really just be clear that what is and what is not on the table. I know you don't want to give all the details, say, in respect to sales process but just -- I mean are we in a position where there are certain ethanol plants that could be for sale and the comments on the partnership would allude to that? But also, with reduction in term debt. I mean, you took a lot of term debt on when you bought Fleischmann's that's not a high protein business. Is that something that you'd be looking at? Just any more color around what the Green Plains portfolio looks like. Is it just a smaller ethanol company with feedlots and the partnership stake? Just help us think about what the future of Green Plains looks like, if you could.

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. I think when we talk about what will be on the table and off the table, I mean, there are going to be certain things that most likely won't make it to the process. But in general, I would say across the portfolio, we wouldn't rule out looking at all of the different businesses to see what would be available, including the ones that you mentioned. So when we look at the go-forward strategy of the company, obviously, our debt levels don't match the volatility industry, and we're going to fix that because of what we've seen lately. So we want to be term debt free. We want to reduce our debt. We're going to get rid of one of the converts. We have one remaining convert open and want to continue to reduce our working capital uses as well and increase our free cash flows. And so while we're not going to get specific right at this point, we are kicking off the program and I would say we're looking at the whole portfolio.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. And then on the Fluid-Quip investment at Shenandoah, can you talk about the capital costs associated with that? And how -- I mean, I know you said you'd look at alternative options. But across the balance of the portfolio, how much of -- how many of the plants do you think would make sense for similar investments over time?



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Todd A. Becker - Green Plains Inc. - President, CEO & Director

Yes. So our view is the investment will be in the range from \$30 million to \$40 million, depending on the ethanol plants. Smaller plants could end up being a little bit lower. We believe that the minimum that we will earn from that is about \$0.10 a gallon per plant. So we're looking at, basically, 2- to 3-year payback, depending on the asset. But really when we look at it, when we start up an ethanol plant that has this technology and it also has corn oil as well, which is part of it, it also increases our corn oil yields, when we look at starting up with a \$0.10 minimum rate that we're going to earn on the protein, along with the \$0.035 or so we will be earning on our corn oil, before we even get into ethanol margins, we should be generating about \$0.13 to \$0.14 a gallon off these plants. So you can see that the protein initiative is extremely important. So while certainly we're going to do one today, and through this process as we are evaluating how we're going in our portfolio optimization process, we will start to look at what are the next plants we will deploy this technology. I would say, though, that, as I said in the remarks, at this point, I've never seen so many opportunities in different technologies that are appearing today that are truly -- have capabilities to fully scale within the industry. So some people will choose high-protein technologies. I think there's other technologies with lower protein but possibly the generation of some cellulosic ethanol, and among everything else, there's other homemade technologies that people are deploying. And this just tells you the overall optionality of the long-term value of the asset base. For us, we are truly focused, first, on reducing our debt levels and getting to a point where that matches the industry and the volatility that we're in. And so that's the main reason why we want to do this. But secondly, we also want to fund our growth in the protein initiative. And we think over time, potentially, there's even more technologies that will improve the protein even more that are coming to the table.

Adam L. Samuelson - Goldman Sachs Group Inc., Research Division - Equity Analyst

Okay. And then just one quick one on the second quarter outlook. Last year, you took some big downtime in May and in June that impacted your second quarter '17 production. You're going to be lapping that, and this one's going to be clear. Kind of is the expectation that your production in the second quarter ramps back up to that more typical low 90s utilization rate? Or do you still haven't made the decision on where -- how the second quarter production will look?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

No. I think with the overall industry downtime, the increase in demand overall, the 5 or 6 weeks of draw or 5 out of the last 6 weeks or so of draws and coming of the summer driving season, besides maybe 1 or 2 locations, we are pretty well returning to more normal operational levels at this point.

Operator

And our next question comes from Farha Aslam from Stephens, Inc.

Farha Aslam - Stephens Inc., Research Division - MD

Your comments regarding your cost reduction program, that \$10-plus million of cost is pretty significant for a company your size. Could you tell us the sources of those cost savings and the timing?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

Yes. I mean, basically, when we -- we're not going to give you complete specifics on it but some of it will be over our corporate SG&A and some costs that we've incurred over time that things like investment in the -- some of the E15 initiatives, things like we have been ramped up to be an acquisition company for a long time and probably have some excess resources around that we'll look at as well, outside services, inside services. We've changed things like our -- how we are executing our futures contract. I mean, it's going to be a combination of just about everything. Most of it will be -- come out of that -- a lot of it will come out of the corporate SG&A line but a lot of it will be at the plants as well, and that's just our



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initial target. But when you look after 10 years and \$4 billion or close to \$4 billion in revenues and \$40 million to \$50 million of expenses just to run the business, we become more efficient. And also, when we look at that, I think there's just things that we can do better and spend less on certain things. Whether it's subscriptions or other fees that are out there. There's just a lot of things that we ramped up. And over time, I think we have now the chance to consolidate some of those expenses.

Farha Aslam - *Stephens Inc., Research Division - MD*

And just timing of the cost savings?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. We will start this program -- the run rate will start in the third quarter of 2018. It will start to ramp up for the next 12 months.

Farha Aslam - *Stephens Inc., Research Division - MD*

That's helpful. And then just a market view because you always have a great read on the export market. You, in particular, highlighted Japan and Brazil as potential sources of demand. Could you share with us the dynamics you're seeing and what could push U.S. exports to your higher end of expectations?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. So when we look at the export market for 2018 and going forward, obviously, Brazil is still a big piece of that. We believe, while we may be a little bit soft in the second quarter, they still need a lot of volume to make up the shortfalls down there and that's what the market down there has been telling us. Obviously, renewable bio program for the long term is very good for our exports to Brazil. But in general, we still think during the last half, once we get through the harvest season and these lower ethanol prices, they're going to ramp right back up and continue to take our products as we continue to be a very good low-cost replacement for them. Other countries that have been buying ethanol that we have new countries, we've seen places like Saudi Arabia and Colombia and even Puerto Rico has bought some ethanol, just because of the relationship to gasoline, and even with the Saudi's announcement of \$80 as their oil target, I think that's all still very bullish, the spread between -- and the inclusion rate on ethanol around the world. When we get specifically into Japan, I mean, obviously, the announcement out of Japan is very favorable to us. We think that's where 60 million to 80 million gallons a year now that goes in as a blended with other products. But in general, we think that will switch back up to the United States and happen quite fast. And obviously, what we saw with China in the first quarter, we like to see that continuing through the rest of the year but we're going to have to work on that as well. But there are times when we believe China will also step into the market during the rest of the year, albeit we're not going to count on that as much as we had originally planned. But our numbers were never really that high anyways for China. It was a nice to have and a wait and see. So overall, right now, it's a 1.6 to 1.8 number. I don't think we'll surpass that this year and I think a couple of things have to happen to be on the high side of that number. But China is only a piece of that equation. There's a lot of other demand that's showing up right now, and even India was pretty weak in the first quarter, and we think they could continue to ramp up as well for the rest of the year. So we're at 1.6 billion to 1.8 billion gallon export number, as we have been pretty well for the last couple of months or last kind of quarter or 2 and we'll wait and see what transpires.

Operator

And our next question comes from Heather Jones for Vertical Group.



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Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

So I like hearing about the portfolio optimization but I was curious as to the timing. I mean, is it the changes and the revamp of the tax code and how that disadvantages companies with high debt? I was just wondering what triggered the [sum] decision.

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Well, that was part of it. I mean, what also triggers it is we strongly believe that because of the volatility in this industry, continued volatility, it doesn't match the debt level that we have, and we want to fix that. And we think we have -- we know we have levers to pull to do that and we know the value of our assets are not purely attributed -- purely reflected in the overall market capital of this company. So that was the first thing we looked at. And secondly, when the tax code did change, when a high debt company with a narrow margin structure like commodity businesses have, potentially, you have to make a significant amount of net income to offset some of the negatives of the tax code. And so with the volatility that we have, we feel like we're at a bit of a disadvantage carrying this much debt relative to the tax code. Second thing, though, that in our favor was it's never been a better time to sell assets because of the tax code because we don't pay as much in taxes overall, plus we've got carryforwards where that would even reduce our taxable obligation as well. So we're in a very good position to take advantage of this tax code at this point. But really, the bigger thing for us is that we are going to take the view over time that once we significantly reduce or eliminate our term debt, over time, we feel like that will give us significant financial flexibility to do things that maybe we've been looking at in the past that we haven't been able to do. Even to buy back shares by having a term debt today, we are limited on the amount of shares we can buy back in the market as well and we don't want to have that limitation on us especially when we had opportunities last quarter when the stock was very weak. And so -- although we were limited because of the way that the term loan is structured. So there's a bunch of different reasons. But we also -- it really truly comes down to when you look at the sum of the parts, we want to bridge that gap somehow and close that gap of the sum of the parts of what we believe our company is worth versus what credit we are getting in the public market. So there is a significant difference between a private valuation of ethanol plants and the public valuation of ethanol plants, and we've seen that for years. And ultimately, over time, we have to figure out a way to close that window. And we believe by paying off our debt and starting to repurchase shares and go after the protein initiative, we can bridge the gap between the private and public valuations that are out there.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Okay. So that would -- I would infer from that, that the ethanol plants are on the table. My question with that is, in the past, part of your strategy has been consolidating ethanol space and getting to a point where GPRE controls enough of the gallons to be able to influence things. And so if you sell some of your plants, doesn't that actually reverse that process, increase fragmentation? And so just help -- if you could help me understand that.

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. I think the industry remains completely fragmented at this point. And so while we've done things to reduce production over time, to help reduce inventories across the industry, we're not getting paid for that. And I think it would take a significant consolidation to actually get to a point where you have enough critical mass. And so from our standpoint, the cost of doing that versus investing in high-protein soy meal or high-protein DDGs and the upgrade of our margin structure overall over the next couple of years, we would rather be more fragmented but with a more stable margin structure than less fragmented with a volatile margin structure. So at this point, size, scope and scale of 1.5 billion or even 2 billion gallons does not have a big enough impact in a 15 billion- to 16 billion-gallon industry. I think the industry will remain fragmented for quite a long time. So while, certainly, we might own less ethanol gallons but potentially, within those gallons, there are a couple of things. Number one, we will have a more steady margin structure, probably a better margin structure because of the implementation of the high-protein technology. But overall, we do have some ethanol plants that could probably increase in size over time. We're not going to do anything today but we have some investments we've also put on hold waiting for demand to catch up. But we still have some major potential expansion that we could do as well to some of our highest-value plants and we'll probably look to do that as well down the road but nothing today we expand or look to do that. But in general, I think the industry will remain fragmented for quite a long time.



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Operator

And our next question comes from Eric Stine from Craig-Hallum.

Eric Andrew Stine - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

I just wanted to ask 2 market questions. I know you talked about that you're optimistic about the E15 waiver, just as part of that, and the meeting upcoming, negotiations going back and forth. What is your confidence level that RIN caps are not on the table, that there can be an end to some of the exemptions given for small refineries? How do you think that plays out?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

I think the White House is very geared towards trying to come up with a plan here. And so the refinery exemptions, without a doubt, I would say, put us into potentially the driver's seat on an RVP waiver. Those are being given out, as we say in the market, like candy. And I think that we have got to do some things to take that challenge on. And so what I would say interestingly enough, while the refiner waivers have certainly -- will certainly impact a large amount of potential ethanol demand, E15 implementation, I think, will offset some of that. But we're going to challenge potentially those waivers at some point in the future. But I think more importantly, this White House understands the importance of the electorate that help put them there and that's the farm states. And these farm states are -- definitely have some potential problems facing them, and we believe that an RVP waiver over all, they understand the importance of it. Will it come with other things attached to it like a RIN cap or something like that? It's always a possibility but I would say our champions that have been fighting for us in D.C. have been pretty clear about they want an RVP waiver with no attached -- anything attached to it. So again, we'll wait and see. I think there's an important meeting at the White House coming up, and we'll probably all know more in the next 48 hours.

Eric Andrew Stine - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. And maybe just sticking with that topic, what's going on, on the regulatory front, just the CAFE standards. I mean, is there an opportunity that potentially as opposed to just the auto OEMs and things that they need to do on their end that the octane value of the fuel is also part of some sort of negotiation for what this could look like going forward?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. I'm not sure anybody wants to get into values and how it's going to look like more than we're saying. I think there is a somewhat of a consensus that higher octane fuel, as a standard, is a good thing. And I would say there's probably some consensus between refiners, automakers and the ethanol industry that higher octane is a good thing. Now the question really is what is that standard going to look like potentially. There's a lot of people talking about the 95 standard and I would argue it's probably not high enough at this point for us to get very excited about it as an industry. But in general, if we can push that potentially higher and so we don't have to come back later on, then it becomes interesting. The autos, the refiners and the ethanol industry, I think, can find common ground at some point as the -- everybody's talking about electrification of the fleet but we still had record gas demand in the United States over the last couple of weeks. So while that's certainly an important initiative, even more important initiative is to have high octane fuels available in the marketplace.

Operator

And our next question comes from Craig Irwin from Roth Capital Partners.



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Craig Edward Irwin - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

So Todd, if we could fast forward to when your portfolio optimization is complete and sort of look out to the future from there, obviously, that's where you want to get to strategically. Can you maybe describe for us how this will change things from a portfolio diversification standpoint, maybe opportunistic consolidation or deconsolidation of adjacent businesses? And can you maybe talk about other opportunities that you see adjacent to the platform that you imagine out beyond this optimization strategy?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. I mean, when we're done with this, obviously, having a reduced debt level and no term debt for a company like ours will give us great flexibility in the future. And it has in the past as well that we've been able to make acquisitions when we reached net term debt 0. And yes, this is going to go -- this is, hopefully, going to go even beyond that. And so when we look out in the future, we're still going to be a major ethanol producer in the United States, although we are going to be a major high-protein producer in the world. If you look at our total platform today, not borrowing any divestiture, we produce about 4 million tons of animal feed, of which 800,000 tons of those would -- could get converted in the high-protein animal feed at about a \$0.10 a gallon increase which is worth about \$140 million to \$150 million minimum a year. And put that on top of the \$70 million or \$80 million we earn from our corn oil programs, just walking and turning an ethanol plant would be overall over \$200 million a year before you even get into the ethanol margin. I think that's a very important distinction. So whether we're a 1.2 billion or 1.4 billion or 1.1 billion gallons, we're not sure where this will end up yet. But what we do know is on the remaining gallons, we will have a margin structure that is consistent, predictable and not volatile for everybody looking at our company. Along with that, depending on what we look at, at the asset base outside of our ethanol production, we believe that by reducing our debt levels, what -- something we would sell today would not necessarily be something we wouldn't look at in the future again to continue to diversify our income. I think, though, that while we haven't certainly announced anything, we're going to look at the total portfolio and having to look at the total portfolio for opportunities to extract value and bridge the gap between the sum-of-the-parts analysis that we have and the analysis of the market today and the evaluation of the market today. So fast forward, we could have a couple of different things happen, albeit what we want to have in a year or 2 is to start to get to a very stable and predictable margin structure as soon as we turn on the lights every morning. And then from there, have big opportunities to earn and generate more free cash flow. One thing that's really important to us is that we have been wanting to look at our shares in our buyback program but have been limited by the restrictions that we have in a low-margin environment when you carry the term debt that you have. And so we can't return capital to shareholders before we take care of that. And we believe that by doing all these things in general, we should be able to drive the share price higher for our investors.

Craig Edward Irwin - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Great. And then my second question is about Green Plains Partners. So you haven't been super precise in which assets will be divested but I think it's fairly obvious that your optimization will impact the future growth profile at Green Plains Partners. Many of those -- many of us following the company were optimistic that GPP would facilitate further consolidation, maybe more attractive consolidation of the industry, and that story seems to change quite dramatically. How do we think about the future for Green Plains Partners in this portfolio optimization strategy? Is this still a growth platform for the company? Or would you expect the growth to come more from external asset consolidations on the platform and external development opportunities going forward?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

No. It doesn't change our view on Green Plains Partners. We still think it is a great creator of value for Green Plains Inc. shareholders, and that's going to be through a couple of things. Obviously, initially, you would see potential divestment of some of those assets but then the cash would be returned to Green Plains Partners which gives them more flexibility as they pay down their debt and buy back their shares and make sure it's not dilutive to the current unitholders. The long-term strategy for Green Plains Partners remains the same. We want to continue to look at that portfolio and diversify into non-Green Plains revenues. We still want to use that as a great growth tool. We want to have flexibility to continue to drop down things like Beaumont but we -- there's always -- you don't want to have the restriction of not being able to drop Beaumont while we might be doing a JV or things like that or the acquisition. So in general, our view on partners remains the same. We want to continue to grow that asset base and continue to drive value for those unitholders as well because we own a lot of that as well and we want to make sure that, that



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maintains significant value and significant value opportunity. So while initially, it might look like what we're doing is reducing but we believe after we divest certain assets and Green Plains Partners gets a cash infusion, they can then use that cash infusion to make sure that it's not dilutive to current unitholders but we still want to use it as a growth vehicle. I think what's important is that when you look at certain things that we have, when you can potentially look at high multiple sales and invest in low multiple opportunities, that is very accretive to our shareholders and that's the things that we may be looking at whether it'd be an ethanol plant or something else at this point.

Operator

And our next question comes from Laurence Alexander from Jefferies.

Laurence Alexander - *Jefferies LLC, Research Division - VP & Equity Research Analyst*

Let me just do -- see if I can do some fairly quick ones. The cost cuts that you're aiming to do, can you size them against the total buckets that you see as controllable costs?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. So we think controllable costs are somewhere between nonoperating, \$60 million to \$80 million a year. And so some of those costs -- and I think this is not naturally a people issue but we don't always carry a lot of people around to run the business. It's just other costs that we have incurred over time, that we have invested in over time, that we paid over time. It's just all of those. And when you look at 10 years, a company like ours, I mean, it's not like I'm announcing a \$250 million program to cut expenses. It's just we think there's somewhere between kind of \$10 million to \$15 million that over time, a company like ours get a little bloated and we want to make sure that we go after those expenses and control our expenses better. Nothing more, nothing less. And I think that's kind of how we're looking at it.

Laurence Alexander - *Jefferies LLC, Research Division - VP & Equity Research Analyst*

And the signs of your NOL carryforward?

John W. Neppi - *Green Plains Inc. - CFO*

Right now, it's probably in the \$40 million to \$50 million range.

Laurence Alexander - *Jefferies LLC, Research Division - VP & Equity Research Analyst*

And how much is it going to cost to roll out Fluid-Quip to the point where you capture that \$140 million, \$150 million potential revenue stream -- profit stream you've talked about?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

If you look at, say, 35 -- and again, I'm -- this is not a final price or it's not a -- I want to say it's the price that you should necessarily go with permanently. But on average, any of these technologies seem to be -- I'll just say any of them that we're seeing seem to be in the \$30 million to \$40 million range per 100 million gallons equivalent. That's plus or minus. Potentially a little bit higher on the bigger plants. But per the \$100 million, let's just use \$40 million per 100 million gallons on average and take that times 15x. So you're going to have a potentially \$600 million to go after \$150 million or so of EBITDA. So it's kind of a 3- to 4-year payback, depending on size of the plant, what plants are configured. Some plants already have dryers configured correctly. So it's not a single point that you can actually point to on specifics. But in general, we have always figured a 3- to 4-year payback and could be faster.



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Laurence Alexander - Jefferies LLC, Research Division - VP & Equity Research Analyst

And so what should we think CapEx should be for 2018, '19, '20 given that you got that cycle going through?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

We haven't put that out yet. I mean, CapEx this year will be a little bit lower just because overall, our spend is down. But as we start to ramp up into '19 and '20, we can get back to you on what we think those are going to be.

Laurence Alexander - Jefferies LLC, Research Division - VP & Equity Research Analyst

And then just last one, and thank you for your patience on all this. The -- you made a comment about how we should be back at more normal levels this summer. Does more normal levels translate into EPS profitability or is there something about the mix that has changed that may be questionable?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

No. I would say we're pushing right now in this high-single digit, low-digit, double-digit numbers to start to get closer to EPS profitability. But in general, that's what we're focused on. We don't want to not focus on the bottom line as well. While it's nice to talk about EBITDA, our focus is on the bottom line, which is why we think reducing interest and expenses along with that is extremely important to go after more EPS as well.

Operator

And our next question comes from Ken Zaslou from Bank of Montreal.

Kenneth Bryan Zaslou - BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst

So a couple of questions. Would you be willing to sell assets below the price that you bought them for or everything has to be above where you kind of paid for them?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

I don't think there's an asset in our portfolio that is worth less than what we paid for other than maybe one small asset that we bought. Other than that, I don't think we have to worry about any of that.

Kenneth Bryan Zaslou - BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst

All right. And then in terms of the market, you made a point that there's a big difference between the public market and the private markets. So you believe that the value of your ethanol assets can be sold at a higher value than what they're being priced at in the recent transaction that we've seen or what do you mean by that? I'm just trying to figure that out.

Todd A. Becker - Green Plains Inc. - President, CEO & Director

Yes. We showed you the sum of the parts slide before and either we're getting very little value for our ethanol assets and full value for our other assets that we own in the other segments or we're getting value for ethanol assets and no value for the other assets in the segment. And so none of those still translate into even the most recent transactions of what we bought. But even more so, there are other transaction in the market within



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the last couple of years, whether it be the one -- ethanol plant in Nebraska that traded for over \$1.20 a gallon or even looking back at the ICM plant in Illinois that traded for over \$1.40 or \$1.50 a gallon. And by the way, Ken, there are no real assets on the market today that I think other than a few that the market has seen. But an easily ring-fenced single-plant operation, 60 million to 120 million gallons today, there is nothing that we see on the market that is actionable. And so when those come on the market, we do believe that we will get back into those levels of a single asset, very easy transaction because the market is -- still believes in the future of ethanol, as we do. But this is solely focused on making sure that, first, we reduce our debt levels. And once we get that down, we're still going to be producing a lot of ethanol.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Okay. And just 2 other final questions, just on actual ethanol is. Can you talk about the China E10 policy? How is that going to affect you longer term, particularly on the corn side as well?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Yes. The E10 policy is very favorable longer term. We have to get through, obviously, some of these trade issues that we're dealing with. But we know ethanol and distillers' grains continues to get talked about in these discussions between the 2 governments. So they know we're focused on it along with the other things like soybeans and everything else. But in general, we believe that, that is structurally friendly over the medium term. But over the long term, I think China ethanol policy, they'll try to internalize it as much as they can. And overall, the corn outlook doesn't remain significantly bullish over the long term because we will continue to be able to increase yield per acre both domestically and globally. So in general, while ethanol policy is certainly interesting for China, I don't think it's necessarily structurally bullish for corn more than it is bullish to the margin for ethanol. And in general, I think that's certainly favorable. But overall, look, I think there's a lot of implementation to take place, E10 by 2020. We think that will add 3 billion to 5 billion gallons of demand globally for ethanol and they're going to try to go after some of that on their own, and then we'll see how long it takes for compliance of that as well. But I think structurally, if we get to trade, some of the trade issues, it's structurally long term -- medium-term bullish for the ethanol margin.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Finally, the small refiner waivers. I think it was \$1 billion of gallons last year. Where are we going to be at this year? And how does that affect your outlook?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

I think -- look, there's 50 small refineries or so that were qualified for this. I know somewhere in the mid-20s have these exemptions taking place. You have to show the hardship on and on and on. And so while certainly we've seen these, we've also known that after a small refinery gets an exemption, it doesn't necessarily mean they're not blending ethanol because they get the exemption but then they actually -- we've seen small refineries turn around and actually blend ethanol. So it's this big fallacy to this program of what is hardship or not. And so that's why we haven't seen that type of dramatic drop in ethanol demand overall as the market thinks is coming from these but it also -- it does impact us over the long term. It is a backdoor way to help the refiners out while pushing RVP down the road, and we're pretty confident the White House understands that that's happening. Our champions in the Senate, and the House understands that's happening and we're definitely going to try and close that window.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Do think the refiners -- the waivers are going to go lower in 2018 or higher than last year?



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Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

It's hard to say. It's hard to say what the EPA will do or not do. When you look at the earnings out of refinery margins today, pretty well no matter where you're at, except for maybe a few locations. It's pretty hard to show hardship from their obligation. And so we'll just have to wait and see and -- where that comes in at.

Operator

And our next question comes from Patrick Wang from Baird.

Cheng Wang - *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

Just a couple of quick ones for me. With the Beaumont terminal now having been operational for a few months, how should we think about the decision to extend that potential drop-down date partnership? Was it primarily to accommodate this portfolio review process or more just need to get through some of those startup hurdles?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Well, we also look at we've got -- we want to wait. Obviously, we've got the Delek joint venture that we're waiting on the regulatory front on as well as we had the portfolio optimization review. There's no question that sometime in late -- early -- or later this year, maybe it pushes to '19 just until we get the financial flexibility of -- through this program where their balance sheet opens up for us, we'll drop the asset down. So it's not a function of if, it's just be a function of when. But the asset is performing well, we're seeing, obviously, the strong first quarter exports was helpful. And we're just -- it's just more of a waiting game to make sure that we have the capability to do all the transactions that we want to do.

Cheng Wang - *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

Okay. Understood. That makes sense. And then just moving quickly back to the portfolio process. So as you identify potential candidates for divestment here, should we think about those assets as potentially being fair game for dropdowns for the partnership and thinking about both monetizing for the short and longer term? Or are you primarily looking to monetize out of the family?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

Well, from our standpoint -- from the partnership standpoint, if we monetize an asset, and let's just use an example of an ethanol plant, and when you negotiate with a partnership to exit the contract and buy back those terminal -- those tanks, the partnership will then get a cash infusion to either pay down debt or buy back shares or do an acquisition or any of all -- or any or all of the above. So that's how we're thinking about it from a partnership. One thing for us as an owner of the partnership is we don't want to do anything that would be dilutive to unitholders as well. So if it's relative to an acquisition that's offsetting some of the income that potentially they're losing, we think that will be accretive. If it's paying down debt, obviously, we have to look at that and figure out if that's the most accretive thing to do or whether it's buying back shares. And so any and all of the above to make sure that the unitholders don't get diluted in this process.

Operator

And our next question comes from Elvira Scotto from RBC Capital Markets.

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Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

So with respect to the partnership, is the partnership actively looking at third-party M&A opportunities now? And if so, how does the market look? What are the financing plans? And then just remind us what other types of assets the MLP may be looking at.

Todd A. Becker - Green Plains Inc. - President, CEO & Director

Yes. We continue to look at third-party acquisitions, M&A outside of our platform. We said one of the things we wanted to do was diversify revenues and income streams of the partnership outside of just Green Plains tanks and storage facility. And so whether that would be looking at the acquisition that we announced that we're waiting on regulatory approvals or other acquisitions, there is -- there are definitely assets out there and opportunities out there. Although, at this point, we're just waiting to get through what we have on the books today, get the export terminal drop at some point here and then refocus on looking at outside M&A opportunities within the partnership.

Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

Okay. Great. That's helpful but -- so the point, though, is to keep that partnership outstanding. So let's say -- you gave the example before that if you sold some ethanol plants that have contracts with GPP and then the storage facilities, you would negotiate with GPP to buy out the contract and the storage but you would still keep GPP sort of a publicly traded entity. Or would you even consider rolling that back into GPRE?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

Well, at this point, we're going to keep that as a publicly traded entity on its own. We still want to use that as lower cost of capital opportunity to look at acquisitions and downstream terminaling assets.

Operator

And our next question comes from Selman Akyol from Stifel.

Selman Akyol - Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research

A couple of quick ones. First of all, do you see any more MVC occurring in the second quarter?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

At this point, no, we don't see an MVC in the second quarter based on the current run rates and current margin structures.

Selman Akyol - Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research

Okay. And then how long do you think it takes to work off the MVC that's there for the 700?

Todd A. Becker - Green Plains Inc. - President, CEO & Director

We did have the same issue in the second quarter of last year. We worked it off in a couple of quarters and that's probably all it will take at this point.



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Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research*

Okay. And then as you reduce your footprint at Green Plains, does that diminish in any way, shape or form why people would look to be doing JVs with you or wanting to be involved as you become sort of a smaller player in the market?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

No, we don't think so. I mean, small is relative to size and we still have 1.1 -- whether it's 1.1 billion or 1.3 billion gallons left, yet to be determined, but I think relatively speaking, you're still a major player in the market. And I think everybody knows that we also have the export terminal and a major amount of gallons that run through there. It's a wait and see what the portfolio will be when our program is over. But I would say no, not at all, will we see a reduction in people wanting to do business with the company.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research*

Okay. And then the last one. Given that in part the restructuring and repositioning of assets is due to leverage up top, how do you view leverage at the partnership?

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

The leverage at the partnership is still very manageable. I mean, we're going to look at that as well, if that's what you should do with some of the funds return back to the partnership, whether it's a combination of both equity and debt in terms of repaying the debt or buying back the equity. But in terms of -- the partnership does not -- their leverage ratios are all very good. Their terms are all very good. We're not at a highly levered company at the partnership relative to the asset base and the cash flows. And so at this point, obviously, we're going to focus on total debt levels and we'll just make those decisions if that's the best thing to do when we return capital, if that's the most accretive strategy. But at this point, they're really not -- we're not focusing on that just yet.

Operator

And that does conclude our question-and-answer session for today's conference. I would now like to turn the conference back over to Todd Becker for any closing remarks.

Todd A. Becker - *Green Plains Inc. - President, CEO & Director*

So thanks, everybody, for coming on the call today. Obviously, a lot to talk about. We're very excited about the plan that we've laid out for you. We're very optimistic about the future of the company. Obviously, we discussed we want to bridge the gap between the sum of the parts analysis, what we see versus the valuation in the market today, and we plan to execute on all the initiatives that we laid out for you. And obviously, it'd be a busy time for our company, but in general, we still remain very optimistic about the future. We have great liquidity position, a significant amount of cash on the balance sheet. And we're going to try and get the overall valuation up for our shareholders over the long term. So thanks for coming out on the call today. I appreciate it.

Operator

Ladies and gentlemen, thank you for participating on today's conference. This does conclude the program. You may all disconnect. Everyone, have a wonderful day.



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